



**Director of  
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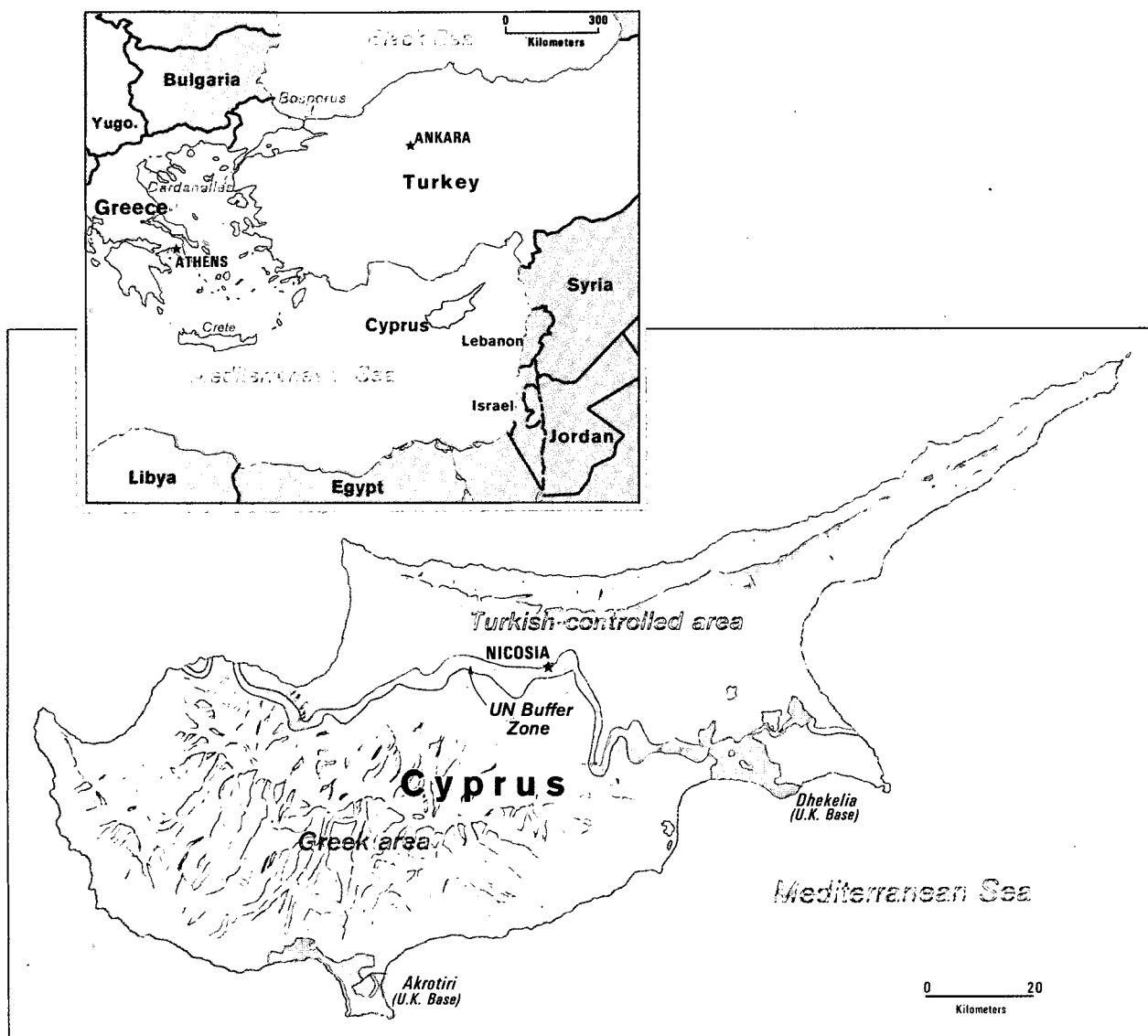
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**CYPRUS: Turkish Cypriots Declare Independence**

*The declaration of independence by the Turkish Cypriot "Assembly" yesterday almost certainly will kill recent UN efforts to bring the two Cypriot communities together and could do serious damage to US strategic interests in the region.* [ ]

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Sources of the US Embassy in Nicosia report the Assembly will begin drafting a new constitution and ultimately will call for a referendum to sanction independence. Turkish officials claim to be "surprised" by the move, but Ankara quickly recognized the new state. The Greek Cypriots have called for a special session of the UN Security Council. [ ]

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Athens has placed its military on alert and has requested an official reaction from the US and other Western governments. The UK, in "deploring" the Turkish Cypriot move, has reaffirmed its policy of recognizing only the Greek Cypriot-controlled south. London also has called for urgent consultations with the Greek and Turkish Governments. [ ]

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**Comment:** Ankara almost certainly gave the Turkish Cypriots the green light. The Turks wield pervasive influence over the military, political, and economic life of the Turkish Cypriot community. [ ]

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The Greeks and Greek Cypriots are likely to urge the UN, the EC, and NATO to censure the Turks. The Greek Cypriots also could retaliate by cutting off electricity and water supplies to the north. [ ]

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For the time being, however, both Athens and Nicosia are unlikely to make any rash military moves. They presumably do not want to provoke a military confrontation between Greece and Turkey. [ ]

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The Greeks and the Greek Cypriots will be scrutinizing US public statements and diplomatic actions over the next day or two. Both would be quick to interpret US inaction as a sign of acquiescence, and domestic pressure could drive them to take drastic steps to register their disapproval. Greece could go so far as to renounce the recently ratified base accord with the US, while the Greek Cypriots could deny the US use of Cypriot facilities for resupplying the Multinational Force in Lebanon. [ ]

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**ISRAEL: Soaring Inflation**

Consumer prices rose at an annual rate of 895 percent in October—the biggest monthly increase in Israel's history. The record price rise is the result of the large devaluation of the shekel and a 50-percent increase in most government-controlled prices in October. The government raised the prices of the same goods another 15 to 30 percent earlier this month, leading to further secondary price hikes for the remainder of the year. Officials of the Histadrut, the large trade union organization, are demanding an early cost-of-living adjustment before the next quarter begins in January.

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**Comment:** The public outcry over the price rise may force Finance Minister Cohen-Orgad to agree to a partial cost-of-living adjustment before January. Such a move, however, would offset the limiting effect of higher prices on domestic demand. Cohen-Orgad has announced that private consumption will have to be reduced and has called for a 7-percent real decline in such consumption in 1984.

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**LIBYA: Security Precautions**

The compound in Tripoli containing Libyan leader Qadhafi's residence and military headquarters was sealed off from Sunday afternoon until at least Monday morning by about 1,000 Republican Guards. The streets leading to the compound reportedly were blocked, creating massive traffic jams.

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**Comment:** The regime could have been reacting to an internal threat or to fears of US military action. The US now has three carrier battle groups in the central and eastern Mediterranean, with the closest southwest of Greece

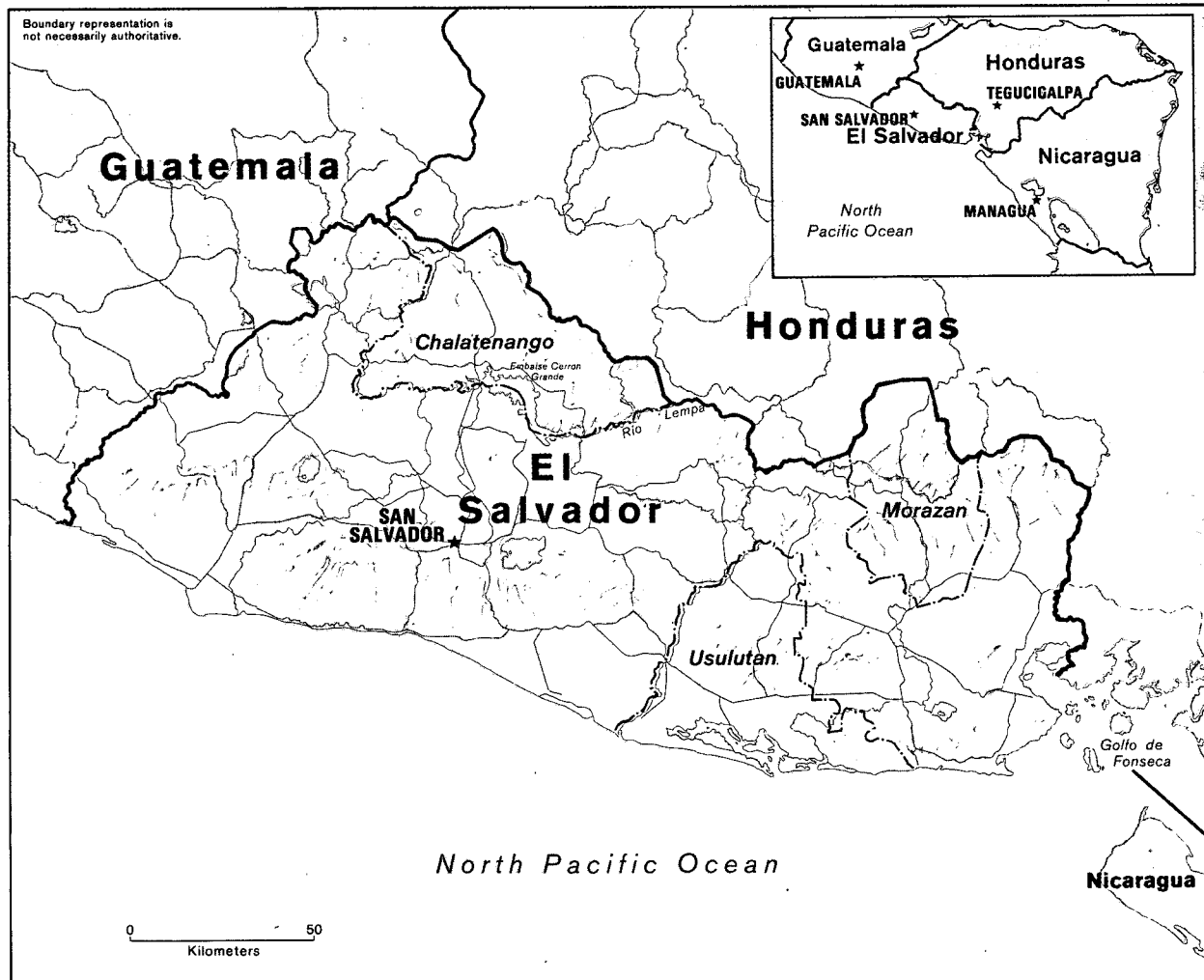
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**PERU: Impact of Municipal Election Results**

The swing to the left in the municipal elections on Sunday will increase pressure on President Belaunde to adopt more populist policies. The voters' repudiation of his economic austerity program mainly helped the center-left American Popular Revolutionary Alliance, which captured most major municipalities other than Lima and 38 percent of the total vote. A Marxist group, the United Left coalition, came in second overall and won the important mayoralty in Lima, where the government finished a poor fourth. The current pro-democratic military leadership is concerned by the leftist gains, but there is no indication that it plans to challenge them.

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**Comment:** Belaunde is expected to change his economic team and its policies in an attempt to improve his party's chances for the presidential and congressional elections in 1985. Such moves would be politically popular, but they would damage Peru's already tenuous position in talks next week with the IMF. Over time, they could adversely affect the economy.

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**PHILIPPINES: Crackdown on Businessmen**

The charges President Marcos ordered filed on Monday against 33 businessmen for smuggling and tax evasion follow demands last week by businessmen for sweeping reforms of election rules and clarification of the succession mechanism. [REDACTED]

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**Comment:** Marcos continues to vacillate between making concessions to opposition groups and threatening them. Business leaders were not appeased by Marcos's attempt last week to finesse the issue of restoring the office of the vice-presidency by referring it to a ruling party committee for study. The crackdown probably is an effort to discourage more demonstrations during the period leading up to the birthday of Benigno Aquino on 27 November, when the government expects opposition activity to intensify. [REDACTED]

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**EC: No Progress on Budget Reform**

EC Ministers at the Special Council meeting last week failed again to agree on proposals for reforming the Community's budget and Common Agricultural Policy. The UK made its usual demands for a permanent reduction in its budget payments to the Community, and other members argued the necessity of increasing EC revenues. The EC Commission's suggestion that the UK's rebate be cut caused London to threaten again to block an increase in Community tax revenues. EC Foreign Ministers will meet again on 28 and 29 November in an attempt to reach agreement on a reform package, which could be presented at the EC summit during 4-6 December in Athens. [REDACTED]

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**Comment:** Prospects for agreement before the summit are not good. The UK and West Germany, the only net financial contributors to the Community, will continue to insist that the budget burden be spread more evenly before they will agree to agricultural reforms or increases in EC revenues. The continuing disarray on agricultural policy will prevent the Community from dealing effectively with agricultural trade disputes at the high-level meeting next month with the US. [REDACTED]

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**CHINA: Record Grain Harvest**

Chinese officials have announced that the grain harvest for 1983 will surpass last year's record harvest of 353 million tons. They also have admitted difficulties in handling all of the grain, because of transportation and storage shortages.

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**Comment:** It appears that the harvest for 1983 will be about 370 million tons. Despite transportation and storage problems, the bumper harvest will give more credibility to Beijing's rural reform policies. It also will reduce the demand for grain imports. Anticipated record harvests of cotton and soybeans, moreover, will reduce the need to import these commodities in 1984.

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## **Special Analysis**

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### **SUDAN: Threats to Nimeiri's Regime**

*President Nimeiri arrives in Washington this week at a time of deep controversy and turmoil in Sudan. Nimeiri's declaration of Islamic law this year and the division of southern Sudan into three administrative regions have been especially divisive. The President now faces a broader array of serious problems than at any time since he seized power in 1969.* [ ]

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In recent weeks Nimeiri has emphasized with uncharacteristic zeal the role Islam is to play in Sudanese affairs. The President has issued a decree creating popular committees to enforce Islamic precepts and made several speeches stressing the importance of Islam. In an address to Army commanders, he equated disobedience toward himself with disobedience to God. [ ]

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Nimeiri's emphasis on religion has won him greater support among Sudan's Islamic fundamentalists but has further alarmed leftists, secular Sudanese, and the country's predominantly non-Muslim southerners. Since Nimeiri began his Islamization campaign in early September, these groups have been watching closely for signs he would temper his initial decrees. The President, however, apparently intends to pursue a strict Islamic path. [ ]

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### **The Southern Problem**

Islamization and the division of the southern region already have added substantially to antiregime sentiment in the south. The ranks of southern dissident factions, which are based in both Ethiopia and southern Sudan itself, also include some 300 to 400 southerners who deserted from the armed forces when the government tried to force them to rotate to the north earlier this year. [ ]

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The regime has shown little sensitivity to southern concerns about the President's recent measures. Nimeiri canceled a visit to the south planned for last week, and the government is preparing for antidissident operations in the area. Such operations could alienate even more southerners, most of whom are extremely sensitive about the deployment of northern troops to their region. [ ]

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Libya is aware of the ferment Nimeiri's actions have caused in the south, and it probably views the current situation as an excellent opportunity to continue its efforts to undermine his regime. [REDACTED]

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[REDACTED] This week Sudan complained to the Ethiopian Government about its support for Sudanese dissidents, but the demarche is unlikely to have much effect. [REDACTED]

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### **The Opposition**

Banned political parties and southern opposition groups are making new attempts to organize against the regime. Personal, ethnic, religious, and ideological rivalries, however, are likely to impede the effectiveness of such coalitions. Nonetheless, opposition also is growing in other more dangerous quarters. [REDACTED]

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The controversial measures imposed this year have added to chronic disgruntlement in the armed forces over economic hardships and harsh conditions of service. [REDACTED]

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Many in the military probably would not wholeheartedly defend Nimeiri in the event of a coup attempt or popular uprising. [REDACTED]

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The sudden and extreme nature of Nimeiri's recent decisions, coupled with reports about his erratic personal behavior, have led many Sudanese to question his judgment and abilities. The President will have to prove to an increasingly skeptical populace that he can provide effective leadership. [REDACTED]

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Doubts about Nimeiri's judgment have even spread to some of his closest advisers. First Vice President and state security chief Umar Tayyib, the director of military intelligence, and a deputy chief of staff have all recently expressed concern [REDACTED] about Nimeiri's actions. Some believe he is under the sway of religious mystics. [REDACTED]

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### **President's Prospects**

The vigor with which Nimeiri tries to implement Islamic law and his actions in the coming months regarding the southern region will be crucial in determining the future level of opposition to his government. The strength of Nimeiri's personal and political motivations may lead him to act without sufficient regard for the consequences of his policies. His ability to survive will be seriously threatened if he continues on his current path. [REDACTED]

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Nimeiri has survived for 14 years by carefully balancing the interests of diverse groups, but his recent moves may have set in motion forces he can no longer control. His reported erratic personal behavior and his preoccupation with Islam could be used by some faction as a pretext for removing him. He probably is more vulnerable to such a coup attempt during the next month while he is out of the country.

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Any move against Nimeiri probably would come from the armed forces, or would have military support. A new regime led by someone now in the senior levels of the government or the Army would be likely to continue Nimeiri's moderate, pro-Western policies. In the less likely event that junior officers or a civilian opposition leader took power, Sudan's relations with the US probably would suffer as the government moved toward a more nonaligned stance.

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